



# **Fiscal Year 2004 Proposed Budget City Council Presentation**

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**Gerald R. Miller, City Manager**  
**August 19, 2003**



# Fiscal Year 2004 Budget Process

- **Unprecedented effort to involve community**
- **Engaged employees for ideas**
- **Built upon Three-Year Financial Strategic Plan process**
- **Goals:**
  - ✓ Address structural deficit
  - ✓ Protect core services
  - ✓ Maintain commitment to infrastructure
  - ✓ Focus on cost reductions
  - ✓ Decrease dependence on one-time resources
  - ✓ Minimize fee increases



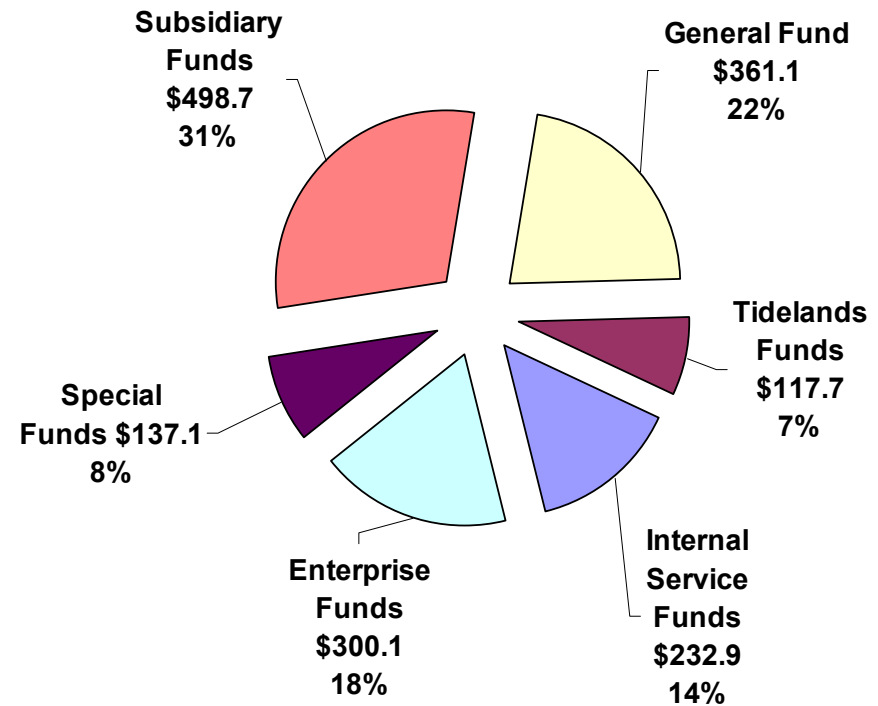
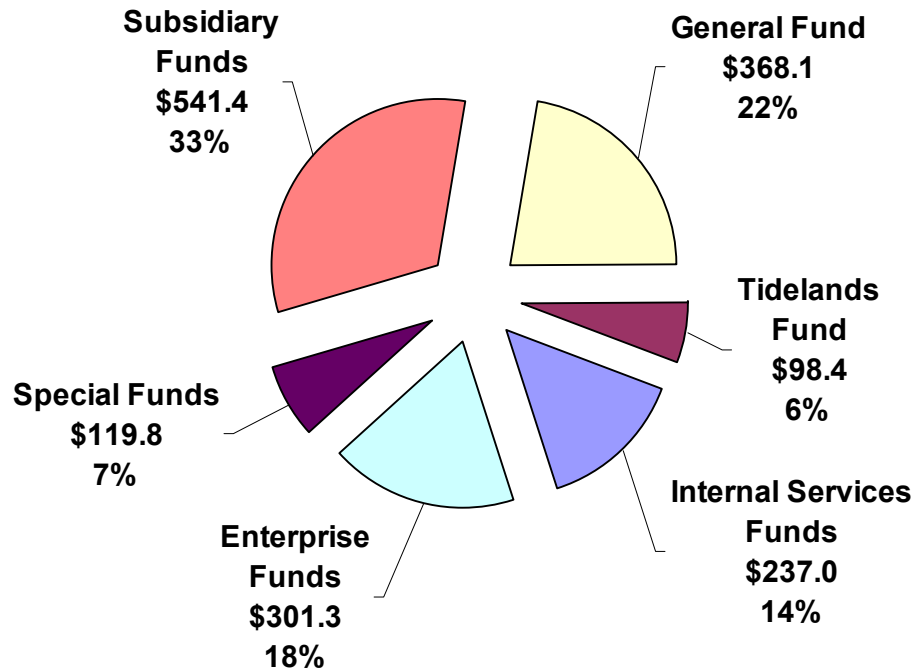
# Fiscal Year 2004 General Fund Budget Challenges

- **FY 04 structural deficit has grown to \$67 million**
  - ✓ Workers' Compensation, Health Benefits and General Liability Insurance Costs
- **Existing General Fund revenues remain flat**
  - ✓ Modest growth offset by UUT rate reduction
- **Service reductions were required to balance FY 04 budget**
  - ✓ FY 05 and FY 06 reductions more difficult
- **FY 04 State Budget "Hits" - \$10.5 million Citywide**
  - ✓ Total approximately \$7.7 million to General Fund



# Citywide Expenses Fiscal Year 2003 vs. 2004

**FY 03 Adopted \$1.666 Billion vs. FY 04 Proposed \$1.648 Billion**





# Changes to the Fiscal Year 2004 General Fund Base Budget

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## ■ Increases

- ✓ Previously Negotiated 3.0 percent non-safety/non-management Salary Increases
- ✓ Health Benefit Costs
- ✓ Workers' Compensation Costs
- ✓ General Liability Insurance
- ✓ Public Safety Enhancements
- ✓ Contractual/Maintenance Agreements and Debt

## ■ Decreases

- ✓ Expiring Police Overtime and Technology Grants
- ✓ Removed One-time FY 03 Expenses



# Negotiated Salary Adjustments

<u>Employee Group</u>	<u>FY 03</u>	<u>FY 04</u>
• Police Officers Association	0%	0%
• Firefighters Association	0%	0%
• Lifeguard Association	0%	0%
• Management	0%	0%
• International Association of Machinists and Aerospace Workers	0%	3%
• Association of Confidential Employees	0%	3%
• Association of Engineering Employees	0%	3%
• City Attorneys Association	0%	3%
• City Prosecutors Association	0%	3%
• IAM and Association of Engineering Employees – Non-career Classifications	0%	5%

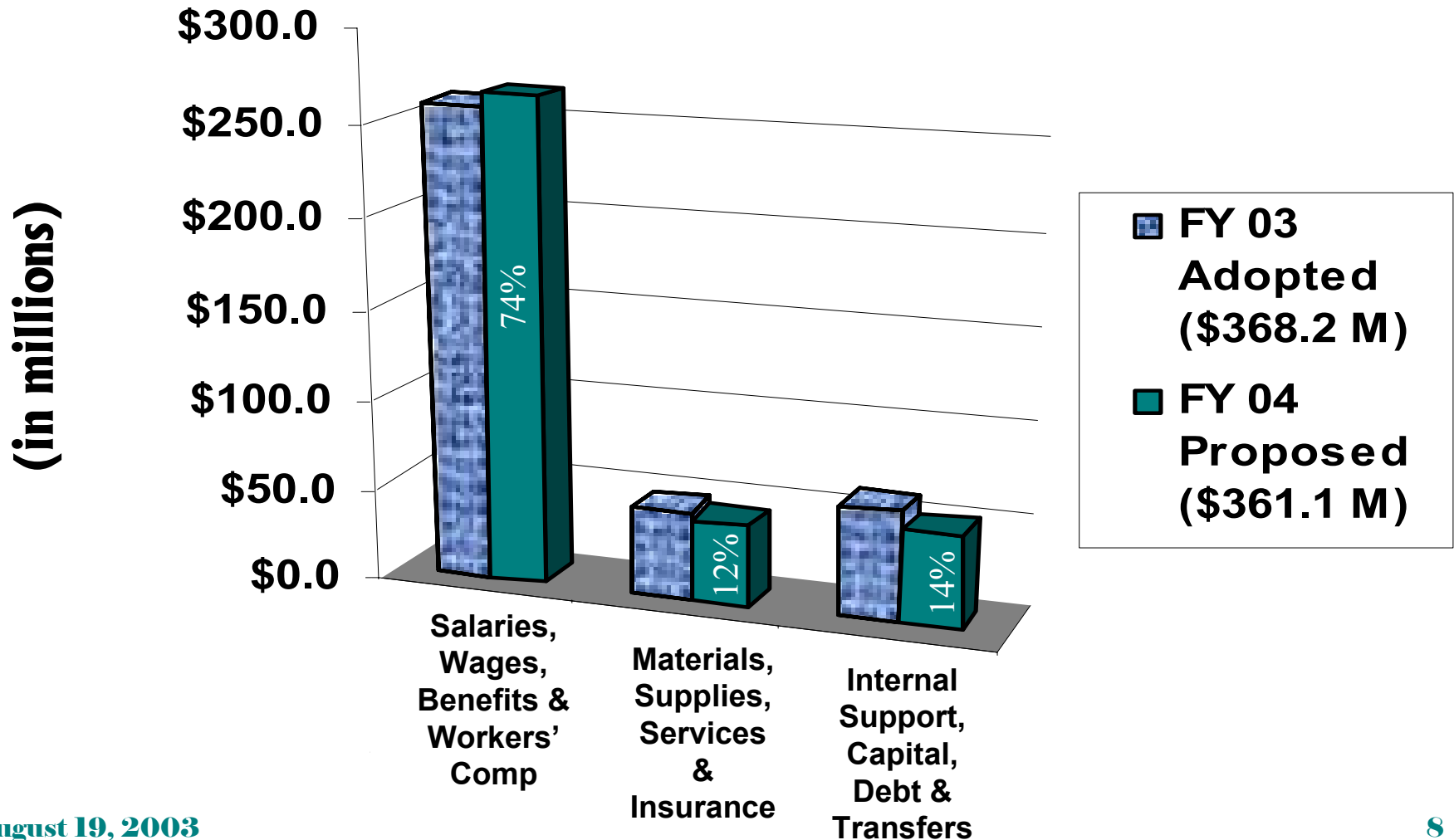


# Fiscal Year 2004 Investments

- **Pilot alley repair program (\$500,000)** (non-General Fund)
- **Construction regulation program (\$218,000)** (revenue offset)
- **Planning Bureau Manager consolidation with Environmental Services Officer (\$161,210)**  
(revenue and cost offset)
- **Expanded graffiti abatement program (\$200,000)**
- **Project Development Bureau (\$200,000)** (revenue offset)
- **City parade support (\$100,000)** (revenue offset)
- **New Marketing and Sponsorship Program (\$121,000)**  
(revenue offset)
- **16 New Police Officers** (COPs grant offset)

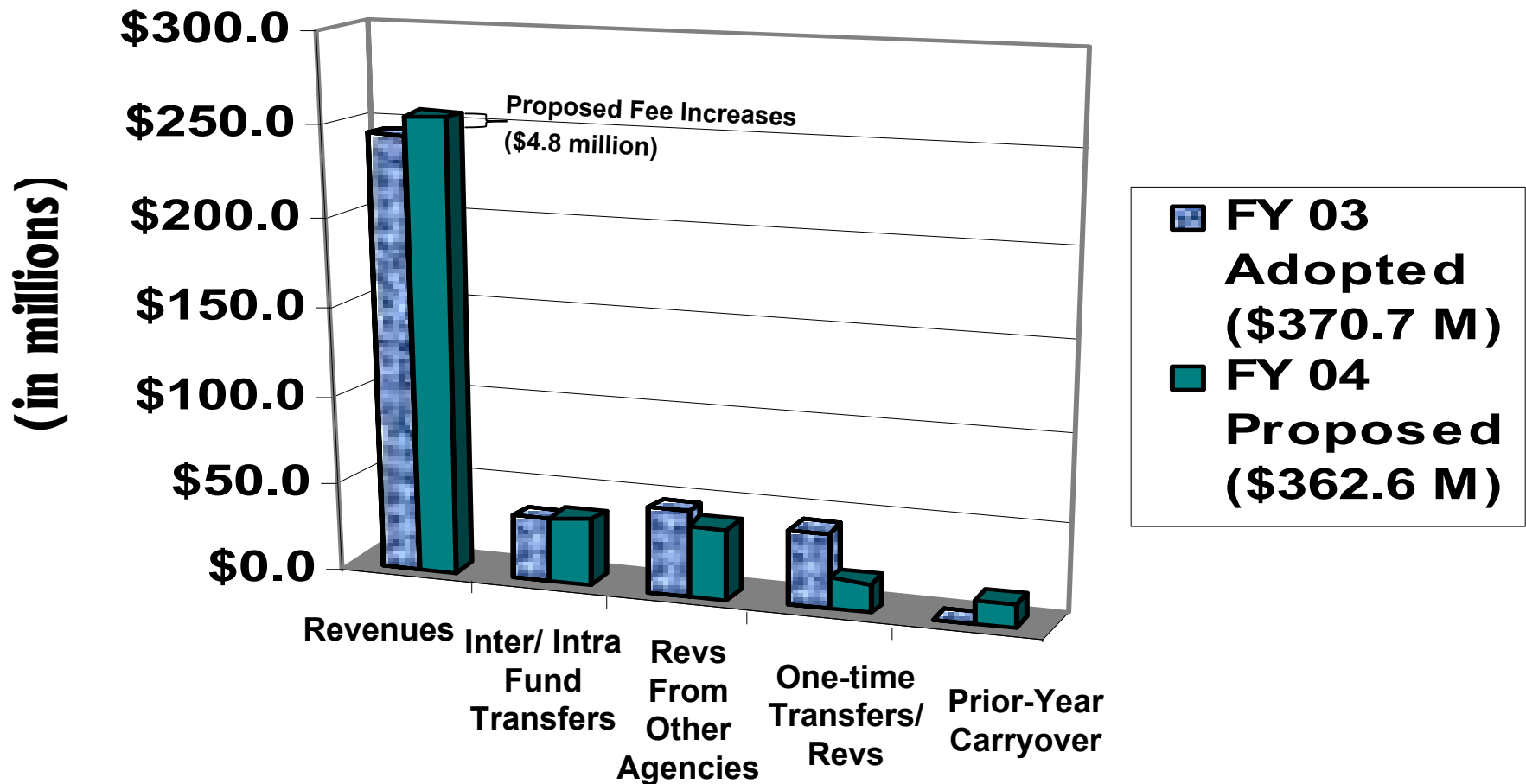


# General Fund Expenses Fiscal Year 2003 vs. 2004





# General Fund Budgeted Resources Fiscal Year 2003 vs. 2004





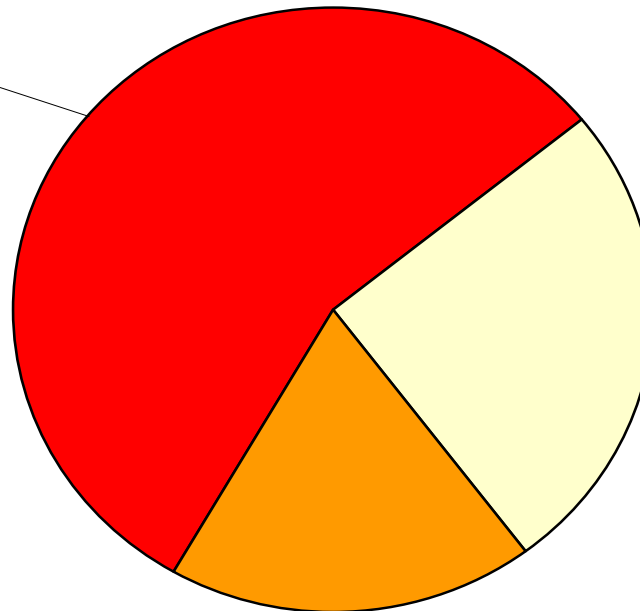
# Balancing the Fiscal Year 2004 Proposed General Fund Budget

- **\$12.8 million carryover from FY 03**
  - ✓ State budget losses will reduce carryover
- **\$38.2 million in structural deficit reductions**
  - ✓ Permanent cost savings (\$27.4 million)
  - ✓ Increased Return on Assets (\$6 million)
  - ✓ Changes to existing and new fees (\$4.8 million)
- **\$17.5 million in one-time resources**
  - ✓ Significantly reduces reliance on one-time resources



# Balancing the Fiscal Year 2004 Proposed General Fund Budget

**Structural  
Deficit  
Reductions  
\$38.2 M**



**One-time  
Revenues/  
Transfers  
\$17.5 M**

**Prior-Year  
Carryover  
\$12.8 M**

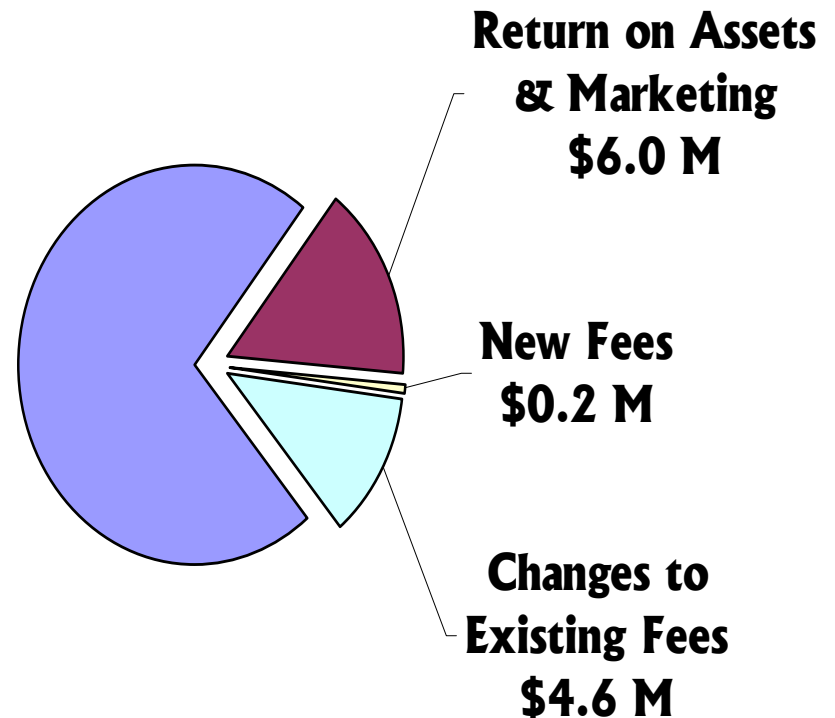


# Fiscal Year 2004 Proposed Budget Structural Deficit Reductions

**Total = \$38.2 million (170 FTE)**

## **Cost Reductions \$27.4**

•General Admin & Mgmt	\$7.1
•Employee Comp & Benefits	\$3.4
•Contracting Opportunities	\$1.0
•Op & Org Changes	\$5.0
•Capital Projects/Infrastructure	\$0.2
•Maintenance Reductions	\$0.5
•Materials, Supplies & Equip	\$3.9
•Recreation Services	\$0.6
•Library Services	\$0.9
•Public Safety Support	\$3.4
•Public Safety Emergency	\$0.2
•Arts & Cultural Programs	\$0.5
•Comm., Promotions & Special Events	\$0.2
•Business Svcs & Attraction	\$0.3
•Code Enforcement	\$0.2





# **Fiscal Year 2004**

## **General Fund Cost Reductions**

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- **General administration & management (\$7 million)**
  - ✓ Elimination of 28 management positions
- **To-be-negotiated employee participation in benefits (\$3.4 million)**
- **City Manager's Office Reductions (\$800,000)**
- **Non-critical maintenance & infrastructure costs (\$680,000)**
- **Operational & organizational changes (\$5 million)**
- **Materials & supplies (\$4 million)**
  - ✓ Elimination of 230 vehicles from the City fleet
  - ✓ Extending computer replacement cycles
- **Contracting-in, contracting-out and/or optimization (\$1 million)**
  - ✓ Street median landscape maintenance, custodial services and reprographics



# **Fiscal Year 2004**

## **General Fund Cost Reductions**

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- **Police non-emergency support staff and Police non-grant overtime through redeployment to patrol (\$3.9 million)**
- **Rolling closures of branch libraries (\$417,000)**
- **Sunday hours at the Main and Bay Shore branch, evening hours at the Los Altos and El Dorado branches (\$216,000)**
- **Support for recreation organizations (\$284,000)**
  - ✓ Repertory Theater Program, Pools for Hope, Folklorico, Long Beach Unified School District
- **Arts and cultural programs (\$529,000)**
  - ✓ Reduction in the Public Corporation of the Arts contract
  - ✓ Reduction in Long Beach Museum of Art
  - ✓ Municipal Band reduced to six weeks



# **Fiscal Year 2004 Existing Fees**

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- **No new taxes are contemplated in FY 04**
- **Increases to existing fees (\$4.6 million)**
  - ✓ Increase in Parking citations
  - ✓ Increase in City Hall parking fees
  - ✓ Elimination of Business License Tax discount (Dec 02)
  - ✓ Increase Fire plan check fees
  - ✓ Increase some recreation fees
  - ✓ Increase Utility late payment fee



# Fiscal Year 2004 New Fees

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- **New fees (\$200,000)**
  - ✓ Preferential Parking Permit fees
  - ✓ “After Hours” towing release fee
  - ✓ Hazardous material education service fee



# Fiscal Year 2004 Gas Fund

- **Long Beach Energy's rates lowest in region**
- **Incurring significant costs in FY 04**
  - ✓ Costs to remove pipeline from Bolsa Chica Wetlands
  - ✓ \$1 million to obtain long-term price protection
  - ✓ \$700,000 increase in cost to Southern California Gas Company for intrastate natural gas pipeline transmission & additional storage service
  - ✓ Perform comprehensive review of the natural gas pipeline system
- **Recommended rate adjustment of \$2.2 million**
  - ✓ \$1.5 million increase in residential rates
  - ✓ \$700,000 increase in commercial/industrial rates
  - ✓ Equates to an increase of \$0.94 per month on residential bills
  - ✓ Rates remain comparable with surrounding gas utilities



# Fiscal Year 2004 Community Development Grants Fund

- **Loss of Workforce Development Grants from State**
  - ✓ FY 04 Proposed Budget reduces programs by 75% from FY 02 levels (\$19.4 to \$4.7 million)
  - ✓ Staffing level reduced from 118 FTE in FY 03 to 51 in FY 04
  - ✓ \$800,000 reduction from FY 03 to FY 04
- **Growth in Federal CDBG funding (\$1.2 million)**



# **Fiscal Year 2004 Tidelands Funds**

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- **Relies upon support from Tidelands Oil Revenue Fund and transfer from Harbor Fund**
- **Tidelands Oil Revenue Fund providing annual support for seawall rehabilitation program (\$100,000)**
- **Downtown Marina rebuild continuing**
  - ✓ Funded by California Department of Boating & Waterways and Marina Fund



# **Fiscal Year 2004 Special Advertising & Promotions Fund**

- **Supported by portion of Transient Occupancy Tax (TOT)**
- **Cost Reductions required to remain balanced**
  - ✓ Reduction to Public Corporation for the Arts Annual Contract (\$350,000)
  - ✓ Marketing, promotions and tourism related programs (\$200,000)
  - ✓ Capital projects at the Long Beach Convention Center (\$175,000)
- **Staff are expecting some TOT growth in FY 04, but anticipate continued funding challenges for FY 05**



# Impact of State's FY 04 Budget on the City

- **\$10.5 million Citywide Losses**
  - ✓ \$7.7 million General Fund
  - ✓ \$2.8 million Redevelopment
  - ✓ Effect of Sales for Property Tax swap unknown
- **\$7.7 million General Fund includes:**
  - ✓ \$5.5 million one-time VLF backfill
  - ✓ \$0.2 million on-going Library funding
  - ✓ \$1.0 million Local Street Funds
  - ✓ \$940,000 COPS Grant for Police overtime
  - ✓ \$31,000 Booking Fees



# **Impact of State's FY 04 Budget on the RDA**

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- **Property Tax Increment ERAF Shift - \$2.8 million in State's Adopted Budget and included in RDA's FY 04 Proposed Budget**
- **Assembly Bill May Reduce the Hit from \$2.8 million Down to \$1.5 million**
- **Not Clear if Hit is Permanent**



# Options to Address Impact to the General Fund

- **\$5.7 million unanticipated loss**
  - ✓ Eliminate Proposed Ending Fund Balance (\$1.5 million)
  - ✓ Library Reduction for PLF (\$213,000)
  - ✓ RDA Loan Repayment (\$1.3 million)
  - ✓ Accelerate FY 05 and FY 06 Reductions
  - ✓ Additional Service and Operational Reductions
  - ✓ Deferral of Capital Projects
- **\$2 million already included in FY 04 Budget**
  - ✓ Police Overtime Reduction (\$940,000)
  - ✓ Police Booking Fees (\$31,000)
  - ✓ Public Works Local Street maintenance reduction (\$1 million)



# City Manager's Principal Objectives

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- **Create a clean and safe city**
- **Achieve fiscal sustainability**
- **Engender trust through communication**
- **Ensure linkage between new development and neighborhood needs**



# Key Infrastructure Investments

- **Must have a long-term strategy to reverse affects of deferred maintenance**
- **Investments in:**
  - ✓ Infrastructure (Natural Gas Pipeline System, Sidewalks and Alleys)
  - ✓ Facilities (Fire Stations, Libraries and Parks)
  - ✓ Technology Systems (Permitting, Billings/Collections and Utilities)
- **Dedicate one-time and some new revenues**



# **Proposed Fiscal Year 2004 Investments**

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- **Core services maintained**
- **New Pilot Alley Improvement Program**
- **Graffiti Abatement enhancement**
- **ADA improvements maintained**
- **Sidewalk Replacement Program maintained**
- **Economic development and marketing**
- **16 new police officers, 10 new recruits (COPS Grants)**



# Communication and Transparency

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- **Continue to solicit and incorporate community feedback**
- **“Voice Your Choice” Community and Youth Surveys**
- **Three-Year Plan Process**
- **FY 04 Budget Process**
- **Speaker’s Bureau**
- **Annual Community Survey/City Council Goal Setting**
- **Proposed Citizen Participation Plan**



# Proposed Financial Policies

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- **Structurally Balanced Budget**
- **Proper Use of One-time Revenues**
- **Proper Use of New Revenues**
- **Infrastructure and Facilities Maintenance Planning**
- **Prudent Operating Reserve Funds**
- **Rational Methodology for Fees and Charges**
- **Debt Issuance and Management**
- **Debt Level and Capacity**
- **Long-Term Financial Planning**



# Performance Management Initiatives

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- **High-performance organization**
- **Encourage and award continuous improvement**
- **Align City's programs and services with 2010 Strategic Plan and community priorities**
- **Measure and report performance to ensure proper resource allocation and accountability**



# Beyond Fiscal Year 2004 – Long Range Objectives

- **Three-Year Plan is a working model**
  - ✓ Modifications to the Plan will require City Council approval
- **Several years needed to resolve financial difficulties**
- **City will emerge stronger**
  - ✓ Financial Policies
  - ✓ Blueprint for the Arts
  - ✓ Performance Management Initiatives
  - ✓ Employee Transition Plan
  - ✓ Facilities Assessment
  - ✓ New Development



## Conclusion

- In an environment of cost growth, budget is smaller
- Reduced reliance on one-time resources
- Despite reductions, making needed improvements to move the organization forward
- Prepare now for State's FY 05 budget process



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